

OSS October 1944 II

~~SECRET~~
OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

17 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that
it reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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16 October 1944

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E. O. 11652, Sec. 5(E) and 5(D) or (E)
CIA 007622
By ARJ Date MAY 1 1974

MEMORANDUM FOR THE PRESIDENT

The following report which I believe you will find of interest was transmitted to us by our representative in Bern who obtained it from an agent inside Germany. This report contains an account by Veessenmayer, German minister to Hungary, of conversations which he had with Admiral Horthy and Premier Lakatos:

"I paid a call on Admiral Horthy today and spoke to him along these lines: (1). It has already been proven that the alarming military information, on which the Kron-rat's decisions of the day before were founded, was in part colored or untrue. (2). From both a military and a technical standpoint, the proposed 24-hour period is ridiculous and cannot be regarded as anything but a deliberate provocation. (3). The Reich Government has again and again declared its great concern with the position taken by Hungary and for that reason has done all it could to aid its ally in all conceivable ways.

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(4). Should the Hungarian government offer to come to terms with the Allies in order to save the country's blood, the only result would be to destroy her existence. (5). Every proof points to the fact that the Allies have no thought to date of tangling with the USSR over Hungary. In the light of this, the Soviets would take advantage of such evidence of debility to overpower the country with a minimum of troops, while the Anglo-Saxons would do nothing about it. (6). Furthermore, such evidence of weakness would dash the final hopes held by certain circles in the country that Hungary would remain a part of the western hemisphere (sic). (7). I further declared to Horthy that I had positive proof that, should there be an armistice offer, important sections of the country's army would refuse to obey and merely go over to the German army. (8). In addition, it was possible that sections of the population would not accept the surrender but launch a revolution; in such an eventuality, we would be forced to show our sympathy with the revolutionists. Were this to take place, history would show-up Hungary as a traitor and weakling. Her only choice lies between self-destruction and a continuation of the struggle on the side of the Reich in the hope of a possible triumph, even though the most supreme sacrifice must be made.

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"The Admiral stated that the sole thing which would lead him to seek an armistice would be conclusive proof that it was due to the failure of the German assistance which had been promised that the Soviet armies invaded his country without a fight. He said that he also would rather keep on with the war but that he could not assume the responsibility of sacrificing his army to no use when they did not have enough strength or arms. He was aware of the technical absurdity represented by the 24-hour period and he had never meant it as such. Should the desired German assistance get there or at least be en route before a major Soviet drive, he would be satisfied. Whatever happened, he would notify the Reich government in plenty of time of any decision that might be taken as he had no wish to be considered a traitor. Unfortunately, he is certain that Germany has no chance of winning this war but he would also rather have his country occupied by British and U.S. than by the Russians and he will fight against the latter for as long as this chance exists. Once more he requested military assistance as soon as possible but, from past experience, did not place much faith in its arrival. He declared that his wife would not leave the capital

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but he asked once more that his daughter-in-law and grandson be given a transit visa for Switzerland. With an air of resignation, he said that he would not care what happened if he knew they were out of danger. He seemed to be exhausted and often found it hard to follow through any given line of thought.

"After this call, I went to see Premier Lakatos, who received me even though the Cabinet was meeting. I described my conversation with Horthy to him. He was pleased and stated that he, too, had reconsidered the situation and was satisfied to continue along the lines already laid down. He declared that he and his Cabinet were agreed that, no matter what happened, the war must continue and that he had already issued orders to this effect. A more sober outlook had taken the place of his panic Stimmung (sic) of the day before, and he had derived fresh hope from seeing General von Greifenberg. He promised that he would at once make a pronouncement to his ministry in favor of vigorously keeping on with the war but made an urgent request for assistance as he feels certain that the Soviet attack will eventually be launched and that only with the aid of our Panzer units can it be stopped.

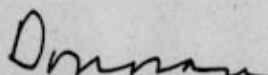
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"Although friendly with both of these men, I was also sharp. For instance, I stated that a Hungarian surrender would mean that at least 2,000,000 people would be taken out of the country by force, and that these people would curse the man responsible for their plight millions of times every day. I left with the feeling that for the time being the country will keep on with the war, will wait for our aid, and not take any action until the Reds start their big offensive. With regard to this, a drive toward Szeged is still the most dangerous threat."

Sincerely,


William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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17 October 1944

17 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that
it reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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17 October 1944

MEMORANDUM FOR THE PRESIDENT

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 009622

By *WJL*

Date MAY 1 1974

We have just received from our representative in SEAC the following message describing a conversation which he had with Captain Garnons-Williams, RN, head of "P" Division in SEAC. "P" Division is charged with coordination of all quasi-military activities in that theater. A paraphrase of the message follows:

"During the course of a discussion today with Captain Garnons-Williams, he made the usual first move with reference to the penetration of Communist China mentioning it in a very vague manner. We know from our experience here that such a reference signifies that plans are well developed for SOE to enter Communist China. I gather from other information available to me that they term it a long range penetration group and that they are extremely desirous of having the unit penetrate into Communist China before Kweilin and other threatened localities are occupied by the enemy."

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Donovan
William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES

WASHINGTON, D. C.

17 October 1944

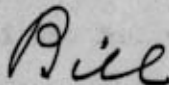
Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

Enclosed is a report concerning the treatment of the Lithuanian clergy during the Soviet re-occupation of Lithuania.

I should appreciate it if you would show this to the President.

Sincerely,



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

17 October 1944

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MEMORANDUM FOR THE PRESIDENT

DECLASSIFIED

E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 007622

By *ABJ*

Date MAY 1 1974

I believe you will be interested to read the following statement concerning the treatment of the Lithuanian clergy during the Soviet re-occupation of Lithuania. The statement was obtained from a Roman Catholic priest who escaped to Sweden on 2 September 1944.

"September 16, 1944.

There are many rumors about the appalling treatment of Roman Catholic priests who remained in the territory of Lithuania recently occupied by the Russian Army.

An eyewitness from Zarasai who had managed to escape from a convoy of deportees made the following statement:

'I was among those Lithuanians who were being driven to Soviet Russia. Many Roman Catholic priests were with us. All of them were treated brutally; for example, for falling out of the ranks of deportees, a priest was beaten pitilessly.'

The newspaper, ATETTIS, which is now published in Tilsit, published an article in August on the terrible fate of the

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clergy in Lithuania in areas re-occupied by the Red Army. It stated that the lot of these clergymen was beyond description. Their experiences might be compared to those of the early Christian martyrs who were flayed alive, crucified, et cetera.

The fact that Archbishop Mrg. Joseph Skvireckas, the highest priest in Lithuania, was executed serves to illustrate the present situation to some extent.

The same newspaper also published a report about the recent murder by the Russians of Mrg. Matulionis, Bishop of Kaisiadorys, who throughout the German Occupation had fearlessly opposed the Germans' wreaking their will on the defenseless population.

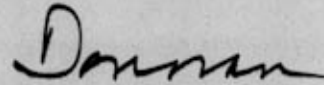
The newspaper, ZEMAITIS, published in Telsiai, referred to the Roman Catholic priests murdered by the Russians and stated that a priest from Sakynai had been maltreated by the Russians and then killed in a forest. A priest from Kursenai, according to this newspaper, was tortured to death.

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Besides, it is said that all the Roman Catholic priests in the areas re-occupied by the Russians have been killed and that exceptions were made only for Russian Orthodox priests."



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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16 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that
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Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

17 October 1944

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MEMORANDUM FOR THE PRESIDENT

From a source in the Vatican we have obtained the following report which I believe you will find of interest:

"Von Papen is in Madrid urging Franco appeal to Holy See for action to obtain for Germany best possible peace conditions. Papen told Franco a strong Germany would be great help to his regime which otherwise will be liquidated. This argument impressed Franco."

Donovan

William J. Donovan
Director

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 007622

By *ABJ*

Date MAY 1 1974

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OFFICE OF STRATEGIC SERVICES

WASHINGTON, D. C.

17 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that it
reaches his desk.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

17 October 1944

MEMORANDUM FOR THE PRESIDENT

I believe you will find of interest the following report which we have just received from our representative in Bern:

Goebbels's Weekly Article in Das Reich.

"The Big German National Family: The objectives of Germany's enemies in this war as regards the German people do not even merit discussion. There is no use debating with the enemy concerning such terms as the destruction of the German nation, the starving of German women and children, or the deportation of the adult male population to Siberia for forced labor. There is not the remotest possibility of talking terms as long as London, Washington and Moscow entertain such projects. In the face of such plans of destruction the Germans are forced to exhaust every possibility of resistance, and they are convinced that they must and will defeat any and all attempts against the liberty and independence of the Reich. For the Germans, the war is not a struggle to gain foreign markets or to

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satisfy personal ambition. The life of Germany is at stake - thus as the enemy put all they have into their effort so will the Germans put all they have into their defense. The enemy will find out when the time comes just what that means. The German objective is a nation in arms and results to the last. Total warfare is no mere phrase but a serious matter which must be taken in all earnestness.

"London, Washington and Moscow imagined that they would have an easy time in crushing Germany. They thought they would encounter a nation demoralized and worn to a frazzle by the long duration and intolerable severity of the struggle. They find instead a nation in arms, imbued with a total will to resist, cost what it may, of a nation forced to the wall. Germany will emerge from that wall mighty and great. It will never become the prey of its enemies. The whole German people stand as part of the frontier. It cannot be forced to its knees this year, or next year, or at any time for it is destined to be immortal.

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Weltwoche, Leader, October 13.

"The last hopes of the Nazis are centered on what they believe will be an invincible German Maquis. They have learned through their own experience that no nation can be kept down indefinitely by force of arms. They know now that the resistance movements in countries oppressed by them would never have reached the heights they did if the new order planned by the Reich had not been an intrinsically unnatural and intolerable thing. So now, they believe that the Allies will be confronted with the same problem when they try to restore order in Germany. If the Allies succeed in winning over to their side the partisan forces everywhere in Europe and especially in Germany, then the German Maquis will collapse no matter how strong physically it has been organized. If, however, they do not succeed in this, they will meet a new and European opposition against which as the Schwarze Korps says 'moral strength and artillery will avail little or nothing.'

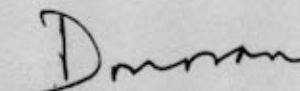
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"The Russians, British and Americans will have the same experience as the Germans did. It is to be feared that all Europe will become completely Balkanized and remain a powder keg. But a powder keg need not explode - it can be handled with care and neutralized. That may be a difficult task but it must be accomplished if the world is not to be overrun with another war in a few years or decades which might mean complete world destruction.

"The Allies have as good as won the 2nd World War but they have yet to win the peace. The most brilliant military history is of no avail unless it leads to real peace. That notion, the Germans have just learned, of which they will avail themselves."


William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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17 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I think the President will be interested
in the attached report which has just come in
by priority cable. Will you kindly see that it
reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

17 October 1944

MEMORANDUM FOR THE PRESIDENT

file
E. O. 11652, Sec. 3(E) and 5(D) of (b)

CIA 007622

By *WBS* Date MAY 1 1974

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PSF

We have just received the following message from our representative in Bucharest concerning the possible extermination within the next few days of the Hungarian Jews. In view of the urgency of this message I thought that you would like to have it brought immediately to your attention:

"Dr. Alexander Safran, Grand Rabbi of Rumania, this morning received a report which stated that legionnaires now occupy Budapest and expressed great and serious fears that all Budapest Jews would be exterminated this week. Therefore Dr. Safran desires to appeal to President Roosevelt to issue an immediate warning to the effect that any people connected with any killings that occur will be given short shrift.

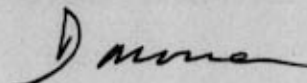
"Dr. Fildermann, head of the Rumanian Jewish Community, also declared today that the only hope left to Hungarian Jews is if the highest Allied Chiefs issue

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a threat over the radio to all Nazis in Hungary that any of them connected with murders will be meted out the most dire punishment, including their families. Fildermann urges us to forward this statement to Washington."



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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17 October 1944

17 October 1944

MEMORANDUM FOR THE PRESIDENT

I believe that you will find of interest the following
news release from the Washington Star Bulletin of 27 September

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I believe the President will be interested in seeing
the attached report.

Will you please see that it reaches his desk.

Thank you.

Sincerely yours,

Bill

William J. Donovan
Director

Attachment

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

18 October 1944

MEMORANDUM FOR THE PRESIDENT

I believe that you will find of interest the following news release from the Honolulu Star Bulletin of 27 September 1944:

"An ominous warning that the 'progress of the war in China is the weakest spot in all the Allied theaters' was sent Thursday to U. S. Ambassador Clarence E. Gauss in Chungking in the form of a cable from the New China Daily Press in Honolulu, organ of the Chinese Constitutionalist party. Ambassador Gauss is asked to forward the following message to President Chiang Kai-shek, Madam Sun Yat-sen, Carson Chang, Tso Shunsang, SunFo, Gen. Chuteh, commander of the Chinese 8th army, and Gen. Joseph W. Stilwell, and Lt. Gen. Clare L. Chennault, key figures in the Chinese theater:

'Progress of war in China weakest spot in all Allied theaters. Political defects much worse than military. To lay groundwork for Allied victory in Far East we must submit for your consideration 10 proposals grouped under five headings:

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'First--Military. One--Unite Far East into one fighting front by establishing supreme command joining national communist and all other Chinese armies and Sino-American Burma forces. Chinese and American governments send representatives to hold meeting inviting all concerned.

'Two--Select Far East supreme commander to organize this joint army. We propose Stilwell.

'Three--Immediately send army to save Kwangsi.

'Second--Political. Four--President Chiang summon leaders all parties with headquarters inside or outside China for meeting to organize supreme administrative body to replace Kuomintang political council. New administrative council to reorganize entire political structure and call people's assembly to draft and adopt constitution. Council should represent equitably Kuomintang, Communists, Constitutionalists, National Socialists, Youth party, Third party, Chee Kung Tong Patriotic party and other elements.

'Five--National government should immediately insure rights of free speech, press, assembly, habeas corpus, also release all political prisoners and disband political police.

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'Third--Economic. Six--As passive measures we propose national Government freeze property of all anti-social profiteers and ask Allies to freeze assets of similar source deposited abroad. Cease printing paper money. Stabilize prices throughout China.

'Seven--As active measures national government issue new war bonds of guaranteed security thus forcing hoarded wealth into circulation. Issue paper money on gold standard secured by funds borrowed abroad and fix exchange rate to force recall of inflated currency. Encourage cooperation societies to take over wartime production.

'Eight--Organize centralized international relief association coordinating relief work all provinces.

'Fourth--Educational. Nine--Abolish party controlled education and forced study of partisan interpretation of three principles. Cancel thought control regulations over students abroad.

'Fifth--Overseas Chinese. Ten--Reorganize overseas Chinese committee Chungking to help Chinese abroad remit money, send letters to all China. We regard ten points as first step to victory. They should be carried out immediately.

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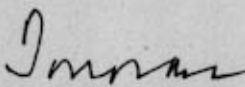
Details should be decided by proposed administrative council.

DAIMING LEE, Representative of the Headquarters.

KAIFHAI LI, President of Hawaii Chapter.

CHUN QUON YEE HOP, Vice President."

Our representative in Honolulu states that according to a competent observer in Honolulu the three signers of the foregoing cable, are respectively editor, contributor, and financial backer of the "New China Daily Press", a local Chinese language paper which has previously manifested anti-British and anti-Chiang Kai Shek sentiments.


William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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18 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
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Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 007622

By *ABJ*

Date MAY 1 1974

18 October 1944

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MEMORANDUM FOR THE PRESIDENT

I believe that you will be interested in the following report of a conversation which our representative in Bucharest has had with Prince Stirbey, Buzesti and two Russian officers of the Second Ukrainian Army:

"On October 8 Prince Stirbey said that the stalemate in the Roumanian Government is now of a disturbing nature. Stirbey puts all the responsibility on the leaders of the Communist faction, for they insist on reforms of a radical nature. Chaos may soon result if the situation continues, and this may be exactly what the Communists are waiting for. Stirbey doubts if the Russian Government is directing the Communists in the country, though the belief is general that it is so directing the group. He firmly believes that the difficulty could be solved if the Russians would state that they are not behind the Roumanian Communist group. Stirbey added that the policy of this intransigent group is to include other parties in the government -- parties that are

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actually created out of whole cloth -- thus adding to Communist strength in the Government. There has been no recent attempt to approach Stirbey with regard to the formation of any new government and he now doubts if he will ever be approached again.

"On the same date Buzesti made statements similar to those of Prince Stirbey:

(a) He stated that 200 Social Democrats, by previous agreement, are supporting the Communist cause, though they do not necessarily agree with the broad demands that have been made. If the Communist program were acceptable, Buzesti added, the whole nation would be communized within the space of a few months.

(b) Buzesti states that the Communists claim to have the full support of the Russians. Other members of the Government doubt this, but they dislike provoking an open rift, for they are anxious to keep the Communists in the Government. As a matter of fact, the other parties have been most generous with the Communists, but all offers that have been made have been turned down.

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(c) Patrascanu has been privately holding up laws already passed for the arrest of the war criminals, despite the fact that the press of Patrascanu's party is constantly attacking the Government for its inactivity.

(d) Buzesti and others have a plan whereby they will place competent administrators one by one in place of undesirable ministers, doing this to break the deadlock that now exists. They hesitate to oust the ministers as a whole for fear that the Communists will say that the Government is being changed and that their own program will not be carried out.

(e) Another serious problem concerns the activities of Uniunea Patriotica, which is an instrument of the Communist party and whose members carry arms and are used to set up labor syndicates for the Communists. Many Iron Guard members have joined the Uniunea Patriotica, according to Stirbey.

"On October 7, the following statements were made by Kalinin and Vorbiev of the Second Ukrainian Army.

(a) The fact that the Roumanian General Staff takes up so much time with party incidents annoys the Russians intensely.

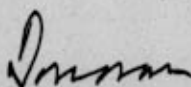
(b) The Russians are likewise annoyed by the constant

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repetition by the Roumanians of how they, the Roumanians, drove the Germans from their country single-handedly. Col. Kalinin admits that the Roumanians did many heroic things, but he has told them they would still be fighting the German battle if it had not been for the weight of American bombs and the pressure of Russian might."


William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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SECRET

18 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested in
the attached report. Will you kindly see that it reaches
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Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

SECRET

18 October 1944

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

MEMORANDUM FOR THE PRESIDENT

CIA 007622

By *ABD*

Date MAY 1 1974

From a source in the Vatican our representative at Caserta has obtained the following report which I believe you will find of interest:

"Clement Atlee (British Deputy Prime Minister) in an audience with the Pope asked The Holy See to induce Spain to come over to the side of democratic nations. Purpose is to avoid civil strife. Atlee said Russia was eager to see a democratic Spain. The Pope replied that the Soviet form of democracy was not entirely clear. Atlee asserted that Russia was acting in good faith. The Pope then promised to take up the situation.

"Holy See is reported interested in the influence that Portugal and Spain may exercise over Argentina and Brazil and planning mediation to overcome strained relations between Buenos Aires and Washington."

Donovan
William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

~~DECLASSIFIED~~

18 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe that the enclosed cable will be of interest to the President. Since the matter with which it deals is urgent, will you kindly see that it and the covering memorandum reach him as soon as possible.

Sincerely yours,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

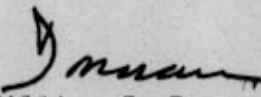
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18 October 1944

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MEMORANDUM FOR THE PRESIDENT

I have just received the enclosed message regarding the political situation in Rumania. Because of the urgency of the matters with which it deals, I am forwarding it to you in its original form.



William J. Donovan
Director

Enclosure

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA letter 007622

By  Date MAY 1 1974

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(Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 17, 1944

FROM

CASERTA, ITALY

TO

OFFICE OF STRATEGIC SERVICES

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(FOR INFORMATION)

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#8544.

1. As result Russian suppression of newspaper Universal and National Peasant Party rally reported our #279 Bari and #95 Caserta, most serious political crisis has existed here for past 2 days because of ladgu ageusgd (sic) Russian order suppressing rally and local Russian statement that this order came from Moscow, most members of government and other reliable neutral observers believe this order calculated to force Mantuand Braianu resignation from government and destroy position National Peasant and National Liberal parties, leaving field open to Communists. The Russian order characterized Friday's demonstration at palace as "Pro-fascist and hostile to the United Nations" and requested that the Rumanian government refuse permission for the "unfriendly meeting" scheduled for last Sunday.

2. Le Rougetel, British political representative, and Major Rorter of Force 133, are reporting the situation as crucial and former has stated "fate of Rumania will be decided next two days". They both profess belief situation indicates Russians have definitely decided to intervene Rumania's internal politics and Le Rougetel states opinion these developments should be brought immediately to attention highest Anglo-American authorities in Moscow as being of greatest significance political organization of entire Balkans and other European nations. Air Commodore Lee, of British Armistice Control Commission, authorizes reporting him unofficially as saying, "Early arrival American repre-

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OFFICE OF STRATEGIC SERVICES

PAGE 2

OFFICIAL DISPATCH

FROM CASERTA

TO DIRECTOR, OFFICE OF STRATEGIC SERVICES

REF. NO. 8544

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representatives Armistice Control Commission absolutely essential and that Mr. Rorry should come first available plane even if he brings with him only a corporal's guard." Air Vice Marshall Stevens of British Control Commission confirms General Vinogradov didn't consult him in connection with issuance of two orders of suppression.

3. Most observers agree that members Russian Commission most responsible for these policies* Left yesterday on plane for Moscow but whether recalled or returning for further instructions unknown.

4. Yesterday Prime Minister tendered his resignation to King who refused it, probably according to prearranged plan. All leaders National Liberal parties worked throughout last night in effort to contrive workable government. Reliably reported that Prince Stirbey no longer considered as candidate for Prime Minister and that Met Xinicolea (sic) Radescu, most likely for position. Radescu recently appointed Chief of General Staff, has unblemished record for having voluntarily submitted himself to concentration rather than work with Germans.

5. You are urged to control foregoing information with greatest care, not only because of explosive nature of such information as such, but also because continued existence our unit still depends entirely on continued good will of Russians. It is also essential to protect our British sources.

* A portion of the text is garbled. A verification and repeat has been requested.

TOR: 10/17/44 8:41 PM

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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18 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that it
reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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CIA 007622
By *DRJ* Date MAY 1 1974

18 October 1944

MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following report, which we have received from our representative in Stockholm:

"A reliable Norwegian trade union source reports on basis of information supplied by cooperative German officer in Norway that Oberstleutnant Stelzer, Chief of the German Transport Command in Norway, was ordered to report for duty in Germany and upon arrival at his destination was arrested. So far as is known he is still alive. Same source advises Stelzer worked closely with the Protestant church (Bekenntniskirche) opposition and the 'Zentrale Aktionsausschuss' referred to in my cable October 2. Since fate of Stelzer yet unknown this information was given me on condition that it not be made public.

"Same source reveals that after July 20 several German officers in Norway were arrested. Also that op-

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position officer group in Oslo led by Stelzer still
exists though disorganized by Stelzer arrest."

W J Donovan

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

18 October 1944

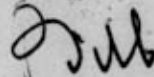
Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I should be much obliged if you would see that
the President has an opportunity to read the enclosed
memorandum.

Thank you.

Sincerely,



William J. Donovan
Director

Enclosure

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

17 November 1944

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I think the attached study, entitled "Russian
Economic Policies in Germany in the Period of
Military Occupation," will be of interest to the
President.

Will you please see that it reaches his desk.

Thank you.

Sincerely yours,

Bill

William J. Donovan
Director

Attachment

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By WBS

Date MAR 8 1974

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CIA 007622

WASHINGTON, D. C.

By *ARS*

Date MAY 1 1974

18 October 1944

MEMORANDUM FOR THE PRESIDENT

PSF *OSS*

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I think you would be interested in the following summary of a report which was prepared by a member of the research staff of OSS, after interviewing a number of individuals in New York and Washington. These individuals were all Russians of official or semi-official position, some of whom are still in this country, while others have returned to Russia.

The Russians feel that the treatment of Germany after the war will depend upon the conduct of the Germans themselves, and that the German people should be held responsible for the war and the Nazi atrocities, unless they indicate their disapproval of the government by rising against it. The Russians would welcome such a revolt, but feel there is not likely to be one. The uprising would have to be a popular movement and not a coup d'etat by a small group of officers and industrialists.

The "Free Germany Committee" was organized by the Soviet government as a propaganda agency to disrupt the German army. It will not figure in Russian post-war plans or influence Russian policy towards Germany. On the other hand, organizations of German prisoners of war such as the "German Officers Union" are designed to indoctrinate a large body of prisoners with pro-Russian ideas, so that they will support a pro-Russian policy upon their return to Germany after the war.

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Russia is opposed to the decentralization or dismemberment of Germany, but would favor the transfer of some German territory to Poland. If the Ruhr were placed under international control, Russia could be expected to demand a share equal to that of the other great powers and also to support French claims to participation.

The Russians believe that it would not be desirable or feasible to transform Germany from an industrial to an agricultural state. They do feel (1) that German machinery should be expropriated for the benefit of devastated countries; (2) that Germany should make reparation in kind (i.e. in manufactured products), which would deprive her industry of the influential position it held before the war; (3) that Germany's war industries should be destroyed; (4) that there should be a strict international control over German industrial production and over the distribution of her raw materials; (5) that eventually certain industrial branches in particular areas should be internationalized; (6) that Germany's industrial manpower should be reduced by the formation of labor battalions to reconstruct areas destroyed in Russia and other countries; and (7) that key industries in Germany should be internationalized

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and placed beyond the reach of cartels which might be interested in restoring German industrial capacity.

There is a small group which believes that German industries should be totally destroyed, because it fears that industrial Germany might be built up in opposition to Russia by elements hostile to Russia. This group is said to have little influence, and the more general feeling is that German industry should not be destroyed, principally because Russia would like to exploit German industry for her own reconstruction.

With respect to the form of government which Germany should have after the war, Russian policy is flexible, and it is thought that German leaders should be chosen as future events may indicate. If there should be a revolution, leaders might arise from the people, but the Russians feel that no existing political group is capable of assuming leadership, even the German Communists or the "Free Germany Committee". German refugees, or German prisoners who have become anti-Nazi while held in foreign countries, will not be able to command authority or confidence from the German people after the war. The Russians feel that war criminals should be punished after a series of trials in occupied countries, and that the military

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caste, the Junkers, and the pro-Nazi industrialists should be crushed. An extensive underground movement by the Nazis is expected to follow their military defeat.

The Russians are apprehensive about appeasement in the United States, England, and Europe after the war. They are afraid that such elements will make use of anti-Communist feeling and that powerful groups with financial interests in Germany will interfere with the economic and military provisions of the peace settlement. The Russians are carefully scrutinizing the activities of German industrial concerns now operating in Switzerland, and they are anxious to prevent such elements from organizing with international cartels to build up German industry after the war.

W. J. Donovan

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
Research and Analysis Branch

file *7*

R & A No. 2337

RUSSIAN ECONOMIC POLICIES IN GERMANY
IN THE PERIOD OF MILITARY OCCUPATION

Part I: GENERAL STATEMENT

This study analyzes the general policies which the Russians may pursue with respect to: (i) the institutional organization and management of the German economy; (ii) the appropriation of German resources and current production for the settlement of reparations claims; and (iii) the economic relations of the Russian zone to the other zones of occupation.

Part II (to be issued separately) will contain a detailed list of the commodities Russia might be interested in taking from Germany on reparations account, with comments on their availability in Germany.

28 October 1944

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By Authority of

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By

DBJ

Date

MAR 8 1974

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RUSSIAN ECONOMIC POLICIES IN GERMANY
IN THE PERIOD OF MILITARY OCCUPATION

Summary and Conclusions

1. Russia's basic political aims in Germany (see Introduction, pp. 3ff.) as well as her more immediate objective of collecting substantial reparations, will dictate that she prevent economic collapse in the zone that she occupies.
2. The Russians will cleanse from the German economy the Nazis and their conspicuous collaborators among the industrialists and landowners; the USSR will not be deterred by the temporary adverse effect of this process upon German productive efficiency. According to a declaration of the Russian government, not only leaders and associates of the Hitlerite government (including Nazi party leaders) but Germans who employed Russian labor in their industrial establishments, farms and homes are war criminals, subject to punishment.
3. The Russians probably will not instigate or allow during the occupation a general socialist reconstruction of Germany. The Russian occupation authorities, as a matter of course, will take over the railroads, public utilities and other strategic installations. Large-scale enterprises and agrarian estates of leading Nazis and other war criminals and conspicuous collaborators probably will be confiscated through the agency of newly established local German political authorities, and, together with other properties abandoned in the Russian zone by their fleeing owners, will probably be placed under the administration of the local authorities, who will act under military supervision. The carrying out of a permanent agrarian, industrial and financial reform probably will be left to the future central government.
4. The Russians have made clear that they expect substantial reparations payments from Germany. The total war damage suffered by the Russians at the hands of the Axis aggressors probably exceeds 20 billion dollars. Since the Russians will collect reparations payments in kind, and possibly in part in the form of labor services, no "transfer problem," such as obstructed the collection of reparations after the last war, will arise to limit the Russian demands after this one.

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5. The Russians are expected to emphasize the collection of reparations mainly out of current output rather than out of standing machinery and equipment.

6. Since the Russians will desire to obtain from the Western Zones large quantities of machinery and equipment directly for their own use, as well as fuel, industrial raw materials and semi-finished goods for the use of the fabricating industries of the Eastern Zone, they will certainly be interested in arranging an interzone exchange of goods, involving some shipment of surplus foodstuffs from the East to the West.

7. Since the Western Zone probably will be the main source of commodities in which reparations can be expected to be paid, the "foreign" exports of this region will exceed its imports to a greater extent than will be the case in the Russian zone of occupation. This implies that, unless some special interregional adjustments are made, the reparations burden will weigh more heavily on the Western than on the Eastern Germans.

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A. Introduction: A General Outline of Probable Russian Policy during the Period of Military Occupation

Russia's economic policies in Germany, in the period of military occupation, will be closely coordinated with, and subordinate to, her political policies; at the same time, all those policies toward Germany will constitute an integral part of her total intentions, domestic and foreign. The character of the Soviet regime makes for an exceptionally effective integration of policy, and any attempt to distinguish the economic from the political, and to deal separately with the one or the other, is at best somewhat unrealistic and can at worst lead to very serious misconceptions.

During the period of military occupation, the following conditions are expected to be among the major factors governing the formation of Russian policy toward Germany:

1. In Europe after the defeat of Germany, there will be a balance of military power favorable to Russia, as compared with America and Britain, but with strong Anglo-American forces on the Continent, and in actual occupation of two-thirds of Germany; in Asia after the defeat of Japan, the balance of military power will be favorable (at least during the occupation of Japan) to America-Britain-China.

2. The orientation of Germany, as between East and West, will be influenced by the policies of the occupying powers. Democratic institutions and free elections will minimize the influence of the one element that can be depended upon under all circumstances to be pro-Soviet -- the German Communists.

3. Soviet distrust of the general long-term intentions of capitalist states, primarily America and Britain -- a distrust diminished since 1941 -- will still have an influence on Soviet policy.

4. Political stability may be expected in Russia; the government would not alienate the general support of the people by pressing for an expansion of Russian territory or influence; it would have such support even in case of

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a conflict with present partners; yet there is undoubtedly a strong popular desire for peace and a better standard of living.

5. There will be an urgent physical need, on Russia's part, for a reduction of military burdens, for capital reconstruction, and for an improvement in the standard of living; but there will be domestic resources adequate for the completion of reconstruction (without foreign aid) in about three years, as well as for subsequent economic development. 1/

It is believed that in the presence of this combination of conditions, the main lines of Russian policy in Germany during the period of occupation will be as follows:

1. The Avoidance of Conflict with Britain and the United States. This means that Russia will tend to compromise with America and Britain on issues that constitute a threat to peaceful relations among the Three Powers; the most explosive of these issues is the problem of the future Eastward or Westward orientation of the new Germany. (See Par. 3 below.) However the Russians may well be very unyielding where they consider that they can be so, without inducing the development of a definitely anti-Russian policy in Britain and America.

2. The Destruction of the Military Power of Germany. The policy of destroying the armed forces and specialized facilities for armaments manufacture will probably cause no serious friction among the Three Powers; and the Russians may be expected to push this policy regardless of its effect upon the attitude of the Germans. Probably they will oppose further measures of de-industrialization; and for fear of turning Germany westward, they are almost certain not to go beyond America and Britain in enforcing such a policy. They will oppose a general partition of Germany during the occupation period; partition would risk the absorption of two-thirds of Germany into the British sphere, and the Russians probably think that after the occupation terminates, they will be in a better position than Britain (or America) to exercise influence in a united Germany. The Russians apparently propose the

1/ See Russian Reconstruction and Postwar Trade Developments, R & A No. 2060, 9 September 1944.

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annexation of large east-German territories to Poland; but this cession, if arranged, probably would not be unrevocable.

3. The "De-nazification" of Germany. The Russians can do a thorough job of purging the Nazis with the full cooperation of the anti-Nazis in Germany, and without risk of friction with America and Britain. Probably they can and will go considerably beyond this in removing the managers and owners of many large industrial and agricultural enterprises; in this way they may accomplish a good deal of the preliminary work of a social-economic revolution and thus prepare for a socialization of large-scale industry in the post-occupation period. These steps can probably be taken without collision with the Western Allies, since the Russians will probably not instigate or allow during the occupation period a formal and general socialization and a one-party dictatorship.

4. The Development of a Politically Neutral or Pro-Russian Government in Germany. Demilitarization and de-nazification are consistent with cooperation with the Western Allies, and a somewhat more inclusive purge can probably be carried through by the Russians without a clash with the Allies. Such measures may serve to clear the way for either a democratic regime with certain socialist characteristics and with certain possibilities of remaining unstably neutral between East and West — or for a Communist-led government fully aligned with Russia. It is not believed that the Russians will press for the second result during the occupation period; for one thing, they realize that such an attempt would certainly shatter the Three-Power coalition.

In the post-occupation period, several of the conditions governing Russian policy may be expected to be more favorable than before to unilateral competitive Russian action; on the other hand a democratic regime of compromise may by that time have achieved some stability in Germany, and Russian suspicions of American and British intentions may have been considerably moderated. What Russia will do then, it is difficult to predict. Yet one thing seems probable: she will wish to avoid a showdown with America and Britain, at least during the occupation period.

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Assuming that during the occupation, the main lines of Russian policy will be those that have been sketched above, the present study analyzes in some detail the policies that the Russians may be expected to pursue with respect to the following matters:

1. The institutional organization and management of the German economy;
2. The appropriation of German resources and current production for the settlement of reparations claims;
3. The economic relations of the Russian to the other zones of occupation. 1/ 2/

1/ It is assumed that, under an arrangement whereby the Allies occupy separate zones of Germany, the Russians will occupy the Eastern Zone.

2/ Quite independently of the general character of the occupation program, it can be expected that an immediate Russian objective will be to repatriate the Russian citizens, who are now held in Germany as prisoners of war and a civilian workers in compulsory labor detachments. Currently, it is estimated that there are three million such persons, about evenly divided between the two groups. Estimates of Population and Manpower Section, USSR Division, OSS.

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B. Economic Institutions and their Administration

1. Denazification and Cleansing of German Economy. Russia's intentions with respect to the executive and managerial personnel of the German economic organizations are, perhaps, most definitely indicated by a declaration of the government that not only leaders of the Hitlerite government and its associates, including Nazi party leaders, but Germans who employ Russian labor in their industrial establishments and homes are war criminals, subject to punishment. 1/ According to the Academician, A. Trainin, the argument that the German government furnishes the Russian labor to the German employers provides only a "fictitious semblance of legality" for the employment of the compulsory labor, and does not absolve of responsibility those private German citizens who employ Russians in their factories or homes. 2/

What punishment will be meted out to the Germans who have employed Russian labor during the war period is not clear. The probability that, to some extent, responsible proprietors will be deprived of their property, or that responsible executives and managers will be deprived of their posts, certainly should be envisaged. 3/

1/ Russia's Intentions to Punish War Criminals, 27 June 1944, R & A No. 1938.

2/ Ibid. German industrial and financial "magnates" have been singled out as a group by Trainin (though not by the Soviet government) for punishment on the additional ground that they "support and maintain their system of government banditry."

3/ Interestingly, the Free Germany Committee urged in its manifesto of July 1943 the confiscation of the fortunes of those responsible for the war and of war profiteers (Freies Deutschland, 19 July 1943). E. Varga, an economist and Academician, similarly demands the confiscation of the property of persons responsible for the instigation of the war and persons who acquired wealth from the plundering of occupied territories (Russian War Damages and Possible Reparations Claims, Part II, 26 May 1944, R & A No. 1899, Appendix A.)

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But irrespective of the precise nature of the punishment that the Russians will mete out to the different sorts of persons found guilty of crimes against the Russian army and people, one objective of their occupation policy certainly will be the denazification of the German economy, and the cleansing from it of conspicuous Nazi supporters and leading collaborators among the industrialists and landowners, a goal to be achieved by the removal of Nazi and other politically undesirable persons from the ownership and management of German industrial and commercial enterprises and agricultural estates. The Russians will not be deterred from carrying out this purge by the fact that there may be adverse effects on productive efficiency.

Perhaps because of the pressure of more urgent military tasks, the Russians have not as yet undertaken to cleanse the management of the Rumanian economy; however, under the armistice terms to Rumania (Article 14) the Rumanian government and High Command agree to collaborate with the Soviet High Command in "the task of detention of persons accused of war crimes and in the trial of such persons." In Poland, the PCNL has decreed that all property belonging to Polish traitors and to Germans be confiscated. 1/

2. Socialization? No doubt many leading Nazis and other persons will emigrate from Eastern Germany in advance of the Russian occupation and will leave behind them sizeable industrial and agricultural properties. In view of the further probability that the properties of war criminals remaining in the Russian occupied zone, will be confiscated, the very important question arises as to whether the Russians may not exploit the opportunity that the military occupation gives them to instigate or support measures leading to the wholesale socialization of the economy of the Russian occupied zone.

The Russians are not committed by any irrevocable action or, so far as is known, by any government

1/ Moscow radio broadcast in Polish to Poland, 4 August 1944.

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pronouncement, to any particular course of action in this respect. However, the indications are that their occupation policies with respect to German economic institutions will probably be as follows:

a. Russia's basic political aims in Germany (see Section A, above) as well as her more immediate objective of collecting sizeable reparations (see Section C, below), will dictate that she prevent economic collapse in the zone that she occupies.

b. The Russian authorities, like the authorities in other zones of occupation, will establish control over all important sectors of the economy. As a matter of course, the Russians will take over the railroads, public utilities, and other strategic installations.

c. At the same time, the properties of leading Nazis and other prominent war criminals -- practically all large-scale industrial enterprises and large agrarian estates fall into this category -- will very likely be confiscated.

d. Presumably, the confiscations will be carried out through newly established German political authorities. Since the emergence of some kind of a central government will depend on interallied negotiations, the governmental authorities with which the Russians will deal for a time will probably be local.

e. The confiscated properties, as well as those abandoned by fleeing owners, very likely will be put under the administration of the local officials, under Russian military supervision. Although complete control over the economy will be maintained, no further steps toward the socialization of private property and private enterprise are probable during the Russian occupation. Small-scale industry, trade, and agriculture will probably be left in private hands.

f. Since the indigenous pressure towards the breaking up of large estates is understood not to be great, and since the Russians will not be interested in

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pushing such measures on their own behalf, the carrying out of a permanent agrarian reform will be left to the future central authority. Temporarily some transitional type of German administration will be established to replace the present owners.

g. It is the declared Russian intention to transfer a large sector of Eastern Germany to Poland, and the Russians will presumably desire to leave the final disposition of confiscated properties in the areas in question to the Polish authority which is established there. It is very probable that the Russians will not permit the emergence of any local German political authorities in areas that they desire to transfer to Poland.

On the various questions touched on above, the following facts constitute illuminating, though very inconclusive, evidence:

a. The Free Germany Committee's declaration of July 1943 calls for freedom of economy, trade, and handicraft, and the guaranteed right to labor and lawfully to acquire property. It demands, at the same time, confiscation of the property of those who are guilty of instigating the war, and of war profiteers. 1/ But there seems no support in the propaganda of the Free Germany Committee for the idea that confiscation of these individuals' wealth would be the mask for a comprehensive socialization of the German economy. The Committee has attacked the great German trusts, but these attacks have generally been couched in a context appealing for middle class support, rather than in a more orthodox Communist or working-class vein. 2/

b. In Rumania, there are indications that the Russians are giving some support to the local Communists, but the Russian policy, at the moment, seems in the main to be one of no direct interference, so far as the structure of the country's economic and social institutions are concerned. Before the Russians

1/ Freies Deutschland, op. cit.

2/ Federal Communications Commission Special Report #98, "Free Germany" as Political Warfare, Washington, 1943, p. 18.

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entered on what they recognize as Rumanian soil, Mr. Molotov issued a formal statement promising that the USSR "does not pursue the aim of acquiring Rumanian territory or of altering the existing social structure of Rumania." 1/ A provision for the joint action of Rumanian and Soviet authorities to punish war criminals is included in the armistice terms (see above, Section B1).

c. In Poland, the USSR has recognized the Polish Committee of National Liberation as the governing authority. This committee, in response to long-standing popular pressures, has apparently made agrarian reform one of its major goals. A statement by the Vice-President of the PCNL last August declared that farms would be restored to all owners who did not work with the Germans. 2/ An earlier statement of the entire committee, however, outlined a comprehensive program of division of land among the peasants, the land to be obtained by confiscations of estates belonging to Germans and traitors and by requisition of other estates belonging to loyal Poles. Compensation to the latter is promised vaguely by reference to "security" to be received by such owners, the security to be proportional to the degree to which landowners participated in the struggle against the Germans. The plan apparently envisages the establishment of small peasant proprietorships, rather than of collective farms. 3/ No comparable pronouncement is available relative to this regime's attitude toward owners of factories and other non-agricultural resources.

However in attempting to weigh the value of today's statements and actions as evidence of long-term Soviet intentions, it must be remembered that any clear evidence of Soviet sponsorship of wholesale socialization beyond the Soviet frontier would produce a sharp division of popular forces within the states immediately affected,

1/ New York Times, 3 April 1944.

2/ Soviet Embassy. Information Bulletin, 29 August 1944.

3/ Pravda, 25 July 1944.

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and (much more important) a strongly unfavorable reaction by the British and American Governments.

If during the period of military occupation socialistic elements and tendencies emerge as an important force in Germany, the occupation policies that have been described on pp. 9 ff. above could constitute the basis for far-reaching changes in German institutions after the termination of the military occupation. It is not expected, however, that the Russians will be deterred from carrying out this occupation program by allied misgivings as to its probable institutional effects.

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C. Reparations

1. General Policy

The exaction of reparations from the Axis aggressors for the damages they inflicted on her is one of the important aims which Russia expects to realize in the postwar European settlement. The material responsibility of Germany and her satellites for the losses Russia has suffered was proclaimed as early as 2 November 1942 in a decree of the Russian government, and more recently this principle has been reiterated in numerous public pronouncements of prominent Russian spokesmen. 1/ The "Extraordinary State Commission for Ascertaining and Investigating the Crimes of the German Fascist Invaders and Their Accomplices," since its establishment by the decree just referred to, has proceeded to carry out systematically one of the major functions assigned it, the assessment of Russian war damage. A reparations bill for 300 million dollars is included in the Russian armistice terms both to Finland and to Rumania.

Russia's reparations policies have been discussed in greatest detail by the Academician, E. Varga. Writing in the authoritative War and the Working Class, Varga has stated that

It is necessary to make not only Germany pay reparations, but also Italy, Rumania, Hungary and Finland. The immense material damage borne by the countries which have suffered from enemy occupation (the Soviet Union occupying the first place) covers every branch of the national economy: Agriculture, mining, industry, transport. It is therefore just and reasonable to demand that all countries which take part in the Hitlerite campaigns of brigandage should immediately take part at the end of the war in the reparation of the damage which they have caused, by giving part of their national wealth to the countries which have suffered. 2/

1/ See R & A 1899, Part II, Appendix A, for a digest of the various materials bearing on Russian reparations policy.
2/ E. S. Varga, "The Reparation of Damage by Hitlerite Germany and Her Accomplices," War and the Working Class, 15 October 1943.

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2. Possible Magnitude of Russia's Claims.

No official figures have yet been released to indicate the possible magnitude of Russia's reparations claims, 1/ but some idea of their possible order of magnitude may be obtained from the following estimates, prepared by this office, of the different kinds of losses the Russians have suffered:

Category of damage	Billion of 1937 dollars
A. Damage to buildings and other fixed capital	15.8
B. Loss of inventories, household effects, etc.	6.8
C. War Pensions and allowances	12.1
Total A - C	34.5
D. Personal damage to civilians	.9 a/
Total A-D	35.4
E. War costs	70.7

a/ Does not include compensation for death or injury to civilians. This estimate includes only compensation for forced labor by deportees.

Source: R & A No. 1899, passim.

Which of these different categories of losses will be taken into account in the determination of the magnitude of the reparations bill presumably is a matter that will be settled in negotiation with the Allies. The Russian spokesmen have referred explicitly to all the items listed as possible bases for compensation, except war costs, which have not been mentioned. Needless to say, while the inclusion of this item would greatly increase Russia's claim, it would reduce her fractional share of the total reparations bill; thus it is quite unlikely that the Russians will press for the inclusion of this item in the reparations settlement.

1/ A very crude rule-of-thumb estimate of the amount of damage was derived by Varga, on the basis of a calculation of the average amount of damage per hectare suffered by France in the last war and on the area of Russia ravaged in this war.

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The postwar economic potential of the enemy countries has been recognized by the Russian spokesmen as setting an upper limit to the aggregate reparations payments. In this connection, however, it is important to note that according to Varga "it would be absolutely unjust if the peoples of the aggressor countries ... should find themselves in a better economic position than the Russians after the war." Varga points out that Russia is able to absorb large payments in kind, and he argues, accordingly, that no transfer problem, such as obstructed the collection of reparations from Germany after the last war, will arise to limit collections after this one, so far as Russia is concerned.

In the case of the bill to Finland, the Russians fixed the amount originally at \$600 millions; reportedly this was intended to cover one-half the damage to their property caused by the Finns. 1/ Payment was demanded within a period of five years.

Vyshinsky has explicitly warned against the mechanical extrapolation of this relation to other contexts, 2/ and the bill to Finland has since been halved. But it is worth noting that if the German bill were charged at the same rate as the original Finnish one, the total bill would be about 10 billion 1939 dollars. The average annual German payments over a five year period, thus, would amount to 2 billion dollars.

The original annual bill to Finland amounted to nearly 80 percent of her prewar national income, and a higher percentage of her expected postwar income. The same percentage of Germany's (the old Reich's) income for 1938 would amount to nearly 25 billion dollars, or enough to compensate Russia in a single year for the full amount of the material damage she has suffered.

The reparations bill included in the recently announced armistice terms to Rumania declaredly was fixed at the relatively small sum (for Rumania) of 300 millions, because of Rumania's shift to the Allied side.

1/ See Finland's Capacity to Pay the Russian Reparations Bill, R & A No. 2127, 24 June 1944.

2/ Ibid.

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3. The Form of Payment: Labor Services as a Possibility.
The Russians have evidenced a desire that reparations payments be made not only in goods, but in labor services as well. Varga has declared specifically in The War and the Working Class 1/ that it "would be just and practically expedient to draw workers from Germany for the work after the war in restoring the devastated areas." Ilya Ehrenburg, writing also in The War and the Working Class, castigates those American trade union leaders who have ventured to express opposition to the adoption of a policy of using forced German labor for reconstruction purposes. 2/

There can be little doubt that the Russians could profitably use several million German workers — particularly skilled construction workers — to help rebuild their economy. Despite the large-scale demobilization of soldiers and the repatriation of Russian citizens and soldiers from Germany after the war, the severe losses in dead and permanently incapacitated during the conflict will still leave a gap in the Russian labor force that the Germans might fill. The productivity of forced laborers is usually not high, but Russian experience in using the compulsory labor of kulaks and others probably has been sufficiently extensive to insure that the output of the German workers would more than justify the expenditure of food, supervisory manpower and other resources required for their use. 3/

It is likely that the labor situation in Germany immediately after the war will be slack, so that the use of large numbers of German workers in Russia would not necessarily prejudice Russia's ability to obtain reparation payments in goods also.

1/ No. 10, 15 October 1943.

2/ Cable #2204, Moscow, 20 June 1944 (Restricted).

3/ The Russians would have to reckon any such expenditures as costs to be offset against the values produced, even if the workers were supported by the Germans rather than the Russians.

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While the economic incentives to use conscripted German labor will be important to the Russians, the pursuit of such a reparations policy evidently would have major political repercussions both in Germany and out. The Russians can be expected to give due consideration to these effects. Should the Russians push a policy designed permanently to weaken Germany, the detention of the German army or of civilian workers as forced laborers might be regarded as politic, even though the possibility of developing a popular pro-Russian government in Germany would thereby be prejudiced. A flexible policy, according to which the conscripted workers would be released, as developments in Germany warranted, might be adopted. The possibility should be reckoned with also that forced labor might be confined to Nazis.

Significantly, there is no evidence that the Russians requested labor payments for the settlement of their reparations bill to Finland or to Rumania.

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4. Payments Out of Stocks on Hand vs Payments Out of Current Production. It is believed that the Russians will emphasize mainly the collection of reparations from current output rather than from Germany's stock of standing machinery and equipment. In determining the relative amounts of reparations to be collected from these two sources, the Russians will be guided mainly by the following potentially divergent considerations:

a. Germany's capacity to continue payments, in lines in which Russia is interested, might be reduced by transfers of standing capital goods; on the other hand there may be some lines, such as machine tools, where Germany's stock of capital goods on hand will be excessive in relation to the likely postwar production requirements, even including requirements for reparations payments.

b. Germany's capacity to produce machinery and equipment is large in relation to Russia's potential reconstruction requirements. In 1938 the Old Reich produced about 3 billion dollars in machinery and vehicles and another 2 billion dollars in electrical equipment. ^{1/} Probably the damage sustained during the war will more than offset the further expansion of the machine construction industry after 1938, so that the post-hostilities capacity will be less than that of 1938. The total wartime destruction of Russian machinery and equipment, however, probably does not exceed 7 billion dollars. When it is considered that the Russian machine construction industry itself will be geared to replace a substantial part of this destruction, it is doubtful whether there will be any pressing need for the Russians to requisition large quantities of German capital goods on hand.

c. If large quantities of machinery and equipment were requisitioned from German stocks on hand, Russian reconstruction might be accelerated in the immediate postwar years.

d. Presumably the weight attached to (c) would be reduced if large credits were available to permit the purchase of newly produced goods, in the United States.

^{1/} Based on estimates of Economics Subdivision, Europe-Africa Division, OSS.

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e. Collection of reparations from current output over a period of years offers the opportunity to introduce an element of elasticity in Russia's policy toward Germany which would be lacking in the case of an early large scale transfer of existing capital goods.

f. The wholesale seizure of German machinery and equipment would result in a large amount of unemployment among industrial workers in the Russian zone, as well as in the West.

g. Wholesale seizure of German capital goods would weaken Germany.

The economist, Varga, has stated that payments out of accumulated wealth could take care of only an "insignificant part" of the reparations bill. 1/ The Russians specifically demanded payment of reparations from Finland in the form of paper and pulp, and machinery and ships. 2/ Since Finland is not self-sufficient in machinery and her current output of machinery is small, large payments in this form certainly would have to be met out of stocks on hand. However, this demand on Finland cannot be taken as a precedent for the policy that will be pursued with respect to the Germans, who will have the capacity to produce currently large quantities of machinery and equipment for export.

While pursuing a policy of collecting reparations mainly out of current output the Russians no doubt will be interested in requisitioning from Germany inventories of machinery and equipment special items which are critically short in Russia, as well as items the

1/ R & A No. 1899, Part II, Appendix A.

2/ See R & A No. 2127.

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requisition of which would not seriously affect German productive capacity in lines the Russians would wish to maintain. In particular, the Russians may requisition quantities of German agricultural machinery, transport vehicles, river barges and sea-going ships; also, possibly, special types of machine tools.

In connection with her expected participation in the Far Eastern War, the Russians as a matter of course will requisition munitions stocks, as well as munitions making equipment, the use of which will be denied the Germans by the disarmament clauses of the armistice.

Furthermore, the foregoing remarks as to Russia's attitude towards the seizure of Germany's stocks of machinery and equipment on hand cannot be taken to apply to livestock. Certainly the Russians will not be dissuaded from requisitioning German livestock herds by the adverse effects on the output of animal products. Possibly, the Russians will also be interested in German inventories of personal and household articles. In view of Russia's aim of establishing a pro-Russian government in Germany, the Russians might limit the seizures of such inventories to households of those whose potential pro-Russian orientation was the weakest.

5. Particular Commodities of Interest to Russia. The commodities which the Soviet Union will desire from Germany (from either current output or stocks on hand) will be primarily those needed in rebuilding the Soviet economy, and available in inadequate quantities from Russian domestic production. Machinery of all kinds, industrial and laboratory equipment, building materials, and raw materials such as steel and cement fall into this category, as does transportation and communication equipment of many types, and some industrial chemicals.

A second category of Russian needs consists of foods and consumers' goods required to improve the present depressed wartime living standards of the Russian people. Russian shortages of meat, fats and oils, sugar, clothing, furniture, and similar essential commodities will be great in the years immediately following victory, and the USSR will be eager to receive German supplies to help meet her needs.

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In determining her policies with respect to the collection of reparations out of Germany's current production of consumers' goods, the Russians will give due consideration to the adverse effect that great exactions in this form might have on the strength of pro-Russian sentiment in Germany. However, it cannot be expected that this consideration would dictate the adoption of a lenient policy in this respect.

The table which follows lists in more detailed fashion the commodities which the USSR will be most eager to obtain, and those less essential items in which it may also be interested. 1/ In each case, the commodities listed below are believed either to be available in Germany at present, or at least to have been produced in Germany before the war.

In addition to the commodities listed in the table, the USSR might be willing to take some quantities of coal and other commodities which she herself produces in abundance, if by so doing some transport economies could be realized.

Although the quantities in which the different commodities will be demanded from Germany cannot be estimated on the basis of information presently available, some idea may be given of the magnitude of the total Russian needs. In the field of transport for example, it has been authoritatively estimated that 4.5 million tons of rails will be required to restore Russian railroads to their prewar level. 2/ While much of this tonnage will undoubtedly be produced in the USSR itself, it is very likely that large amounts will be asked of Germany. Again, it is believed that at the end of the war the USSR will have at least 5,000 fewer locomotives than it had at the beginning of the struggle, while many of the remaining

1/ See also Part II of this report.

2/ Khatchaturov, T. "O. vosstanovlenii i nekotorykh perspektivakh razvitiya transporta" in Zheleznodorozhny Transport, October 1943.

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PRODUCTS THAT RUSSIA MIGHT OBTAIN FROM GERMANY IN PAY-
MENT OF REPARATIONS, RATED ON BASIS OF RUSSIAN NEED
DURING OCCUPATION PERIOD

	<u>Top Priority</u>	<u>Second Priority</u>
Materials:	Carbon and alloy steel Cement Bricks Synthetic fibers Basic chemicals Synthetic rubber Leather	Coke
Foods:	Sugar Meat and meat animals Fats and oils	Fruits and nuts
Machinery:	Textile, leather, shoe and clothing machinery Machine tools Farm machinery and tractors Food processing machinery Electrical machinery and equipment Cement machinery Glass machinery Synthetic rubber producing and processing machinery Mining and oil machinery and equipment	Paper and printing machinery Office machinery
Other fabricated and semi-fabri- cated products:	Steel and copper semi- fabricated products (sheet, plate, wire, pipe, etc.) Plate and window glass Structural steel Steel rails Bearings Railroad locomotives, freight and passenger cars Ships Trucks and automobiles and spare parts Optical glass and precision equipment Furniture Shoes and clothing Chemical products including fertilizers, insecticides, pharmaceuticals, and indus- trial chemicals Tires and other rubber products Laboratory equipment Industrial boilers and heat transfer equipment	Cutlery Locks Clocks and watches Musical instruments Toys Cameras Ceramic products Brushes Paints and inks Soap

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locomotives will probably be old and worn and will require replacement as soon as possible. 1/ Due to difference in gauge, the Russians of course would not be greatly interested in the direct transfer of German railroad equipment to Russia, though a change in gauge, even of locomotives, would not be impossible.

In the field of farm machinery, the USSR will have tremendous needs after the war. Entering the conflict with 523,000 tractors, the Russians have now gone three years with scarcely any new tractor output, so that at the beginning of the spring sowing campaign of 1944, only 200,000 tractors were available for work on farms. Similar needs exist for new farm equipment of every type. 2/

With respect to food and textiles, the Russian situation in the postwar period will be very tight. Russian Lend-Lease imports of more than a quarter of a million tons of meats, of fats and oils, and of sugar during 1943/44, for example, indicate how short Russian supplies are at present, even for the maintenance of minimum wartime dietary standards; any effort to improve the Russian diet from the low wartime levels, after victory, will require large imports of these foods. 3/ Because of the long period required to increase the livestock herds, Russia will be especially interested in importing breeding cattle as well as animal products. Since a relatively rapid recovery of Russian grain production is likely, there probably will not be a pressing need to import much East German grain.

6. Financial Aspects of the Reparations Collection.
Certain problems involved in Russia's collection of reparations from Germany will be financial in nature. One question is basic: at what prices shall particular German goods (and services) be valued when submitted in payment.

Presumably the problem of the valuation of payments in goods and services will be one involving all the Allied nations, and will require agreement among them. Since the price mechanism of the Soviet Union differs from that prevailing on world markets and also from that prevailing in the western nations, some means will have been found to reconcile the different valuations for the particular commodities which will be delivered.

1/ Estimate by the Transport Section, USSR Division, OSS.
2/ R & A No. 1355.5.
3/ Cf. R & A No. 2060.

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D. Economic Relations of Russian Zone to Other Zones

1. Prewar Trade Relations between Eastern and Western Germany and Wartime Developments. Once the whole of Germany has been occupied by the forces of the different allies, the problem of economic relations between the zones occupied by different powers will become one of the utmost importance. Of chief concern in this connection is the exchange of goods between the zones. Some notion of the importance of this interchange may be obtained from the accompanying table which shows the net imports and exports of goods, for Eastern and Western Germany, in 1936. The boundary between the two regions considered, which is believed to correspond roughly to that which will delimit the Russian from the American and British Occupation Zones, is far enough to the West of the Elbe to place most of the Central Industrial Region of Germany in the Eastern Region. 1/ For the purposes of the calculations in the Table the province of Berlin is included in the Eastern Region, although this province is expected to be administered as an international zone.

The trade statistics 2/ reflect at once the basic differences between the economies of the Eastern and Western Regions. Despite the fact that the Eastern region, as delimited here, includes the industrial populations of Berlin, the Central Industrial Region and Silesia, the East Elbian grain and potato surpluses are big enough to permit large net shipments out of the area as a whole. The Western Region, where the main centers of German heavy industry are located, imported somewhat larger quantities of grain and potatoes than the Eastern Region exported. Both regions were net importers of animal products, but the deficiency in the Western Region, which includes the important livestock areas of Holstein, Hanover and Oldenburg, was less than that of the Eastern.

1/ The administrative areas constituting the Eastern and Western Regions are listed in a note appended to the accompanying table.

2/ It should be noted that the trade statistics in the table cover only products which were shipped by rail and water. However, the failure to cover motor freight is not considered serious since in 1937 the total German tonnage carried in long distance trucking (i.e. over 50 kilometers) came to only 3.3% of the tonnage carried by the Reichsbahn. More important is the fact that only shipments exceeding 500 kilograms are included. This limitation operates to exclude certain commodities -- particularly wearing apparel --, individual shipments of which normally are small.

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NET INTERREGIONAL SHIPMENTS OF VARIOUS GROUPS OF
COMMODITIES BETWEEN EASTERN AND WESTERN GERMANY, 1936 a/
(All figures in 1,000 tons)

	: Eastern region b/		: Western region c/		: Total Germany	
	: Net in-	: Net out-	: Net in-	: Net out-	: Net in-	: Net out-
	: coming	: going	: coming	: going	: coming	: going
	: (1)	: (2)	: (3)	: (4)	: (5)	: (6)
<u>Foodstuffs:</u>						
Meat, fish and dairy	400		139		539	
Grains, legumes and potatoes		2,051	2,679		629	
Fruits and fresh vegetables	458		697		1,155	
Oleoogenous vegetables	179		1,479		1,658	
Sugar beets, coffee, raw tobacco, animal and plant raw mats. n.e.s.	121		732		852	
Total unprepared foodstuffs		893	5,726		4,833	
Raw sugar and malt		210	218		8	
Dairy products, fats and oils	310		180		470	
Flour, refined sugar and starch		628	559		69	
Wine, beer, and spirits	62		1		63	
Food n.e.s.	119		70		187	
Total processed foods		137	790		649	
Total foods		1,240	6,734		5,490	
Salt d/		596		179		775
<u>Fodder and Fertilizer:</u>						
Fodder and feed	419		49		468	
Fertilizer	159			1,200		1,041
Total	578			1,151		573
<u>Iron Ore, Scrap and Slag</u>						
Slag	302		19,703		20,005	

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	: Eastern regionb/		: Western regionc/		: Total Germany	
	: Net in-	: Net out-	: Net in-	: Net out-	: Net in-	: Net out-
	: coming	: going	: coming	: going	: coming	: going
	: (1)	: (2)	: (3)	: (4)	: (5)	: (6)
<u>Iron and Steel</u>						
<u>Products:</u>						
Blast furnace and rolling mill products	2,582			4,987		2,405
Machinery and apparatus including transport equipment		81		436		517
Other iron and steel finished goods	347			1,118		771
Total	2,848			6,541		3,693
<u>Non-ferrous Metal</u>						
<u>Products and Ores:</u>						
Non-ferrous ores and scrap (copper, pyrites, beauxite and others)	982		3,417		4,399	
Non-ferrous metals	95		171		266	
Semi-finished and finished products of non-ferrous metal		58		97		155
Total	1,019		3,491		4,510	
<u>Industrial Products</u>						
<u>n.e.s.</u>	75			328		253
<u>Coal, Coal Products and Peat</u>						
Bituminous coal, briquettes and coke	4,933			35,940		31,009
Brown coal, briquettes and coke		1,220	1,785		565	
Peat	124			214		90
Total	3,837			34,369		30,534

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	: Eastern regionb/		: Western regionc/		: Total Germany	
	: Net in-	: Net out-	: Net in-	: Net out-	: Net in-	: Net out-
	: coming	: going	: coming	: going	: coming	: going
	: (1)	(2)	: (3)	(4)	: (5)	(6)
<hr/>						
<u>Liquid Fuels, In-</u>						
<u>cludin. Coal</u>						
<u>Distillation</u>						
<u>Products:</u>						
Basic materials	732		843		1,574	
Finished products	558		2,031		2,589	
Total	1,290		2,874		3,863	
 <u>Stone, Clay, Glass</u>						
<u>and Cement Products:</u>						
Primary products	2,400			4,620		2,222
Finished goods	233			685		452
Total	2,633			5,305		2,674
 <u>Chemicals Excluding</u>						
<u>Fertilizer:</u>						
		541		179		720
 <u>Leather and Tex-</u>						
<u>tiles:</u>						
Raw materials	229		672		901	
Yarn and leather	9		15		24	
Total	238		687		925	
 <u>Wood and Wood</u>						
<u>Products:</u>						
Timber	1,803		1,161		2,964	
Intermediate wood products	464 e/		707 e/		1,170	
Finished wood and paper products		308		109		418
Total	1,959		1,759		3,716	

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a/ Adapted from figures in Inter-Regional Trade in Germany, R & A No. 2470, 3 September 1944. The figures were compiled from German railway and waterway traffic statistics.

b/ Includes Regions I and V in R & A No. 2470, which are delimited as follows:

Region I

Mecklenburg (without harbors from Rostock to border of Schleswig-Holstein)
Lower Silesia (excluding Breslau)
Berlin
Brandenburg
Magdeburg-Anhalt
Merseburg, Erfurt, etc.
Thüringen
Sachsen

Region V

East Prussia
Königsberg, Pollau and Elbing
Pommern
Pomeranian Harbors
Posen-Westpreussen
Upper Silesia
Breslau

c/ Includes Regions II, III, and IV in R & A No. 2470, which are delimited as follows:

Region II

Harbors Rostock to Flensburg
Schleswig Holstein
Elbhäfen
Weserhäfen
Emshäfen
Oldenburg, Lüneburg, etc.
Hannover, Hildesheim, Braunschweig, etc.

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Region III

Hessen-Nassau and Oberhessen
Frankfurt/Main
Ruhrgebiet in Westphalia
Ruhrgebiet in Rheinprovinz
Westphalen, Lippe
Rheinprovinz
Köln
Saarland
Duisburg, Hochfeld, Ruhrort
Bavarian Pfalz (without Ludwigshafen)
Hessen

Region IV

Baden
Mannheim, Ludwigshafen
Württemberg and Hohenzollern
Southern Bavaria
Munich
Northern Bavaria

- d/ Includes large amount of salt used industrially.
- e/ Includes cellulose, woodpulp, etc., which are used in part for the manufacture of artificial fibers. The amounts are 175,000 and 337,000 tons in Regions IV and V, respectively.

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Apart from Silesia, the industrial centers located in the Eastern Region were primarily fabricators. The region as a whole imported, from the West and from abroad, large quantities of fuel, industrial raw materials and semi-fabricated goods. The Eastern Region was a large scale importer of blast-furnace and rolling-mill products and of coal; it produced a surplus — relatively small as compared with that of the Western Region — of machinery and equipment (however, this comparison is based on tonnage statistics; in view of the relative importance in the Eastern Region of industries producing highly fabricated products, a comparison based on the money value of shipments might show relatively larger exports from this region); and it was a major exporter of chemical products. The Eastern Region was an importer and the Western Region an exporter of building materials. Both regions imported leather and textiles, but the Eastern Region, containing the great textile centers of Saxony, on a smaller scale.

The regional dispersion of German industry undoubtedly has been altered considerably during the war, with the result that the Eastern Region probably fabricates metal products on a larger scale than previously. At the same time the ravages of war have so far been felt primarily in the West, and because of the central location of a substantial part of the industries of the Eastern Region, this region is less vulnerable to industrial damage from current and prospective ground operations than is the Western Region.

But the basic differences between the economies of the Eastern and Western Regions, which are fixed by differences in their natural resources and other relatively permanent factors, will not be appreciably affected by the war; and unless hostilities are prolonged beyond present expectations it is safe to say that after the war the Western Region will still be not only the main source of fuel and industrial raw materials for German industry as a whole, but will also have a capacity for fabricating finished as well as semi-finished metal goods on a much larger scale than the East.

Thus, on the extreme assumption that all economic intercourse between the Eastern and Western Regions were cut off after occupation, it is clear that the USSR, while finding a surplus of food in its area, would find much of the industry and labor of the Eastern Region idle, while at the same time the great metal producing and fabricating capacity of the West would be denied to Russia. The allies in the Western Region, on the other hand, would be faced with the problem of supplying food to the population there, and at the same time would be confronted with the

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Hobson's choice of either finding an outlet for the great industrial surpluses of the area, or of administering the occupation successfully in the face of a vast army of unemployed.

2. Russia's Attitude Towards Trade Between the Eastern and Western Zones. Presumably, at some early date, inter-zone trade in the period of military occupation will be the subject of an agreement among the allies.

Russia's attitude in this matter will be determined by the following considerations:

a. Russian unwillingness to permit trade on a scale sufficient to supply the western zones with minimum essential quantities of foodstuffs would tend to weaken inter-allied collaboration.

b. With the rapid recovery that probably will take place in their own grain position in the USSR, the Russians may not feel a pressing need to ship the East-German surplus to Russia. The possibility should be envisaged, though, that the Russians will requisition East-German livestock on a large scale.

c. The Russians will be greatly interested in obtaining the output of the heavy industries concentrated in Western Germany, both for their own direct use and for the use of those fabricating industries in Central and Eastern Germany which will produce for the Russians.

d. For administrative and particularly for political reasons, the Russians probably will be interested in seeing that economic activity in their zone is maintained at a level tolerable to the working population there.

e. The Russians are reported to have proposed that, in the final postwar settlement, a large sector of Eastern Germany (up to the Oder River) be transferred to Poland. 1/ Should the Russians continue to push this policy, they may wish to prepare for the change in sovereignty, during the occupation period, by channelizing eastward the economic relations of the region east of the Oder.

1/ R & A No. 1785.16.

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At this juncture, it seems probable that considerations (a), (b), (c), and (d) will outweigh (e), and that the Russians will favor a limited interzonal exchange of goods between East and West.

Since the Western zone will be the main source of commodities in which reparation can be expected to be paid, "foreign" exports will exceed imports of this region to a greater extent than will be the case in the Russian zone of occupation.

This implies that -- unless some special interregional adjustments are made -- the reparation burden will weigh more heavily on the Western than on the Eastern Germans.

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

19 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will be interested
in the attached dispatch. Will you kindly see that it
reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

PSF
OSS

19 October 1944

MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following dispatch which we have received from our representative in Bagdad concerning the situation in Iraq:

"This week the Arab newspapers in Iraq are full of enthusiasm for the Arab union. They are ringing the chimes for the birth of the league in Alexandria. The greater part of the press is emphasizing that this means a certain 'death blow to the tribulations of the little nations at the hands of Middle Eastern imperialism.' According to one leading editorial, 'The Arabs are now waiting for their powerful American friend to lend them equally powerful backing for the plan for an Arab union and also for an Arab Palestine. As is well-known, the Arab is faithful and loyal only to those who treat him with justice. America's unique opportunity lies before her.'

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 007622

By *QPS*

Date MAY 1 1974

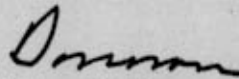
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"In the holy city Cerbola, the Ghia leading divines, who had been strenuously against an Arab League, are now waking up to the fact, too late, that they are not represented in the government and are making a plea at once to the government to allow them to participate in the Council.

"The following is quoted from an Arabic broadcast on the Berlin radio: 'It is notorious that the newspapers in Iraq fulfill no other function than that of a tool for British propaganda and that they are completely dominated by the British.'"



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

~~SECRET~~
DECLASSIFIED

19 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that it
reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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19 October 1944

MEMORANDUM FOR THE PRESIDENT

The following report has been forwarded to us
by our representative in Bucharest:

"Roumania's largest newspaper, 'Universal' has
been suppressed by the Press Section of the Russian
Armistice Commission. The real reason behind the
suppression is not clear, though the reason that was
given was that the paper had printed the obituary of
a son of Antonescu some three weeks ago. The editor,
Lugosianu, is suspected of having been on too friendly
terms with Antonescu. The Roumanians fear that the
Russian action has been taken to strengthen the power
and influence of the Communist press."

In connection with the above report our repre-
sentative at Bari comments that reference should be
made to Article 16 of the Allied-Roumanian Armistice

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CIA 009622

By

WBL

Date

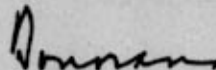
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- 2 -

Agreement which gave certain controls over press and
radio to the Russians.



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

DECLASSIFIED

19 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see that it
reaches his desk.

Thank you.

Sincerely,

WJ

William J. Donovan
Director

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~~SECRET~~
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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

PSF
OSS

19 October 1944

MEMORANDUM FOR THE PRESIDENT

The following report concerning the Russian advance toward Budapest was forwarded to us by our representative in Bucharest:

"As of before noon on October 12 it is estimated that it will take from between 24 to 48 hours for the Russian spearhead to reach Budapest. Infantry can follow within 2 days provided there is no resistance in city. The Russian headquarters should move in within 3 to 4 days later.

"A later report states that mud and rain are making ground operations difficult. 10 locomotives, 100 railway cars, and 100 guns of different calibre have been taken with the capture of Szeged. Forces at Subotica, which was also captured, will probably spread out in all directions while those at Kecskemet may go west in order to cut roads going north to Budapest. Russians

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CIA 007622

By

ABJ

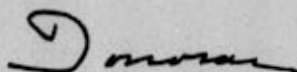
Date MAY 1 1974

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- 2 -

striking from the north have almost surrounded enemy troops in Oradea Pocket. There are no other changes except that the Russians are advancing on the eastern sector through Carpathians and are nearing Bistrita."



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

DECLASSIFIED

19 October 1944

Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will be interested
in the attached dispatch. Will you kindly see that
it reaches his desk.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

DECLASSIFIED

~~DECLASSIFIED~~

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

19 October 1944

MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following dispatch which was forwarded to us by our representative in Cairo:

"It is reported that on October 9 the British Ambassador was handed Iran's decision to break off all negotiations relating to concessions. He was requested to communicate it to the Americans and Russians. According to the same source, a recent note from Moscow contains the accusation that the Millspaugh Mission is interfering with closer relations between Iran and Russia. On Monday, Millspaugh wrote to Ebtehaj, relieving him of duties as Hvry Bank (sic).

"It is considered likely that the Lebanese Government will follow the example of the Syrian and collapse. Leila states from Cairo that the Arab conference is not the reason for the collapse if Jabri succeeds himself

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CIA 007622
By *ABJ* Date MAY 1 1974

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- 2 -

but that the conference is doomed if Mardam comes to power."

Donovan

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

~~TOP SECRET~~

20 October 1944

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I believe that the enclosed memorandum would
be of interest to the President. Would you please see
that it is called to his attention.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

Enclosure

DECLASSIFIED
By Authority of CIA
By 007622
Date JUN 11 1973

~~TOP SECRET~~

~~TOP SECRET~~

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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20 October 1944

MEMORANDUM FOR THE PRESIDENT

On 22 September, we sent you a report of a discussion between a representative of this office and an agent of Neubacher, Ribbentrop's political and diplomatic representative in the Balkans.

Previously, on 13 September, we had sent to General Deane in Moscow a report of two earlier conversations between these persons, to the following effect:

"Neubacher's agent contacted our representative on 5 September, stating that if the Allies would allow the Germans to retreat to the line of the Danube and Sava rivers, Germany would use her troops to fight the Soviets. Our representative immediately replied that he would not enter into any conversation founded on deceit and Allied discord, but that he would discuss the termination of German resistance in the Balkans and would forward any business-like German proposal.

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By Authority of CIA

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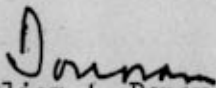
By DR Date JUN 11 1973

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Subsequently Neubacher's agent stated that Neubacher was planning to see Hitler and would contact our representative again, although it was out of question for him to discuss surrender. He went on to say that guerrilla fighting would continue in Germany after the surrender and that many Germans, being nihilist already, were ripe for Communism."

This information was communicated to the Russians by General Deane. You may find it significant that General Deane has notified us that General Fitin was grateful for the information and has requested more information as it becomes available.


William J. Donovan
Director

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007622
By DBS Date JUN 11 1973

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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20 October 1944

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I believe that the enclosed memorandum would be of interest to the President. Would you please see that it is called to his attention.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

Enclosure

~~SECRET~~
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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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CIA 007622
By *ABJ* Date MAY 1 1974

20 October 1944

MEMORANDUM FOR THE PRESIDENT

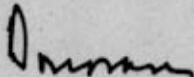
I believe you will be interested in the following summary of a report concerning operations of OSS personnel in the Balkans:

On 7 October 1944 six B-17's escorted by two squadrons of P-51's left Bari and flew to an agreed point in Slovakia, where they remained for three quarters of an hour on the ground, returning to Bari that afternoon. The personnel delivered on the flight included an intelligence team for Budapest, one for Slovakia, and a special operations team with medical officer. There was also a photographer to record the operation and five officers who returned with the planes when the mission was completed. A quantity of supplies was landed for Czech resistance groups, including 150 bazookas with ammunition, 100 Marlins, 100 Bren machine guns, 75,000 rounds of ammunition, plastic, and substantial medical supplies with food and clothing. Twenty-eight American fliers were evacuated, as well as two New Zealand fliers and eight Slovaks and Frenchmen.

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On the same day, Colonel Huntington, Major Thayer, Lt. Callanan, and Sgt. Muselin were landed safely in Serbia near Valjevo to join Marshall Tito's Headquarters. Their equipment included one jeep, with trailer, and 3000 pounds of supplies.


William J. Donovan
Director

DECL **SECRET**

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

~~SECRET~~

20 October 1944

Miss Grace Tully
The White House
Washington, 25, D. C.

Dear Grace:

I believe that the enclosed memorandum
would be of interest to the President. Would you please
see that it is called to his attention.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

Enclosure

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~~SECRET~~

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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~~SECRET~~
PSF
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20 October 1944

MEMORANDUM FOR THE PRESIDENT

I think you will be interested to know of the following results accomplished by some of our operational groups during the recent operations in France:

Germans killed	461
Germans wounded	467
Germans taken prisoner	10,021
Vehicles destroyed	33
Bridges destroyed	32
Power lines cut	11
Roads mined	17
Trains destroyed	2
Locomotives destroyed	3
Aircraft shot down by ground fire	3

This represents the work of thirteen sections, each of which is ordinarily composed of two officers and thirteen enlisted men. In each case, the sections were assisted by bands of FFI or Maquis whom they trained and led. The sections suffered the following casualties:

Killed	1 Officer and 4 men
Wounded	1 Officer and 9 men
Missing	1 Officer

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CIA 007622
By *ABJ* Date MAY 1 1974

Donovan
William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

20 October 1944

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I believe that the enclosed memorandum would
be of interest to the President. Would you please
see that it is called to his attention.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

Enclosure

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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20 October 1944

E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 007622

By *ABJ* Date MAY 1 1974

MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following extract from a report dated 11 October 1944 by our research staff on the "Military Manpower Position of The Soviet Union, 1945-1970".

"It is estimated that the population of the Soviet Union within the pre-1939 borders, will number approximately 171 million persons in January 1945. More than 20 million additional persons will become Soviet citizens if the Russian boundaries of 1939-41 are re-established.

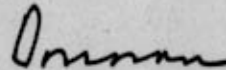
"It is estimated that by 1970, the Russian population, with the pre-1939 borders, will increase to around 229 millions, and within the boundaries presently claimed by the Russians to over 250 millions. These estimates, which are based on the assumption that the future development of mortality and natality in Russia will follow a pattern established in other countries, are necessarily subject to a considerable margin of error. It is believed, however, that they are more likely to understate than to exaggerate the Russian population growth.

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"The attached table shows the estimated number of Russian males available for military service from the age groups 17 to 49 years and 18 to 38 years within both the pre-1939 and 1939-1941 boundaries, from 1941 to 1970. The reduction in the pool of military manpower from 1941 to 1945 is considerably less than the total casualties the Russians have sustained, for the reason that the classes of males reaching military age during the war have been very large.

"In terms of prime military manpower, the 18 to 38 year age group, the Soviet Union will be 40 percent stronger in 1970 than in 1941."



William J. Donovan
Director

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ESTIMATED NUMBER OF MALES OF MILITARY AGE IN THE
SOVIET UNION, 1945 TO 1970

Within the pre-1939 boundaries

Age	1941	1945	1950	1955	1960	1965	1970
17 to 49 years	39.3	37.8	41.7	45.4	47.6	50.1	54.7
18 to 38 years	29.1	25.7	27.8	30.2	33.7	35.3	36.9

Within the 1939-41 boundaries

Age	1945	1950	1955	1960	1965	1970
17 to 49 years	42.5	46.7	50.4	52.5	55.3	60.3
18 to 38 years	29.0	31.1	33.6	37.2	38.9	40.7

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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20 October 1944

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I believe that the enclosed memorandum would
be of interest to the President. Would you please
see that it is called to his attention.

Thank you.

Sincerely,

WJ
William J. Donovan
Director

Enclosure

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~~DECLASSIFIED~~

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

20 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
in the attached reports. Will you kindly see
that they reach his desk.

Thank you.

Sincerely,

W. J. Donovan
William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

PSF
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POLITIC 20 October 1944 HUNGARY

A high German official is said to have summarized
the political situation in Hungary as of the first week
MEMORANDUM FOR THE PRESIDENT
in October 1944, as follows:

I am enclosing an interesting series of
reports which we have received concerning the
situation in Hungary as of the first week in
October. These reports which were obtained from
an agent inside Germany were forwarded to us
that through our representative in Bern. will arrive too
late. He feels that the concentration of Nazi forces in
Hungary, particularly in Budapest, is
only.

Donovan
William J. Donovan
Director

The Premier is said to have received information that
the rightist political parties in Hungary were planning
soon to depose the government by violence, allegedly with
the backing of Germany. He cautioned against such a move
stating that it would be a disaster for Hungary. He would swear
by his own life that his regime has done nothing without
the knowledge and approval of Germany, and protests impe-
dence of any knowledge of the treacherous plans attributed

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CIA 007622

By

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Date MAY 1 1974

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POLITICAL SITUATION IN HUNGARY

A high German official is said to have summarized the political situation in Hungary as of the first week in October 1944, as follows:

Premier Lakatos has again requested the Plenipotentiary, Commander of the German Wehrmacht in Hungary, to send into action at least some of the German Panzer brigades in order to reassure the people and the Hungarian troops at the front. Lakatos is dissatisfied and fears that the assistance he has been promised will arrive too late. He feels that the concentration of Nazi forces in Hungary, particularly in Budapest, fulfills political ends only.

The Premier is said to have received information that the rightist political parties in Hungary were planning soon to depose the government by violence, allegedly with the backing of Germany. He cautions against such a move stating that it would have extremely unfortunate consequences upon the front. He declares that he would swear by his own life that his regime has done nothing without the knowledge and approval of Germany, and protests innocence of any knowledge of the treacherous plans attributed

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to certain important people in the Regent's palace. Lakatos asks Germany to have confidence in Hungary, and in him personally, as he has worked only to maintain Hungary's power of resistance. Lakatos recently made a spirited address to an infantry battalion at headquarters and urged the men to obey their leaders' orders, even against internal political foes whose operations were protected by a foreign country. The Budapest police has been placed on the alert. A state of alarm has been proclaimed in police quarters and officers are not permitted to leave. Hussar units have been sent to reinforce the guard at the Regent's palace and the battalion of bodyguard troops has been armed with machine guns. The city of Budapest itself is calm.

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WEESENMAYER COMMENTS ON EVENTS IN HUNGARY

The following statements are said to have been made by Weesenmayer, German Minister to Hungary, in the first week of October 1944:

General von Greiffenberg, German Military Attache in Budapest, declared that the order for the recall of Heszleny* was before Regent Horthy for signature but that Horthy had not yet reached a final decision in the matter.

Farago** is said to have been seen in the Regent's Palace around the first of the month. It is therefore inferred that the rumor to the effect that a delegation was being sent to Moscow by way of Slovakia was incorrect, at least in its details.

The armed patrol boats of the Hungarian Danube have reached Budapest. Weesenmayer commented that he had been given to understand from military sources that this was contrary to an explicit German wish.

* This is believed to be Lt. General Josef Heszlenyi, who was known to be Commander of the Fourth Army Corps in September 1943. In September 1944, it was announced in Germany that Heszlenyi had distinguished himself in fighting.

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** This is believed to be Lt. Field Marshal Gabor Faragho who is Inspector of the Gendarmerie. He was formerly Military Attache to Moscow.

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THE HUNGARIAN NATIONAL COMMITTEE

The first week of October 1944, the Germans are said to have been informed that Bardossy and Tasnadi-Nagy* were the leaders of a Hungarian National Committee which was established on 30 September 1944. Its membership includes Laszlo Baky, Daniel Mocsary,* Andor Jaross,* Jurcsek, Major-General Jeno Ruskay, Ratz,* a member of the Arrow Cross Party, and Mihai Teleki.** Laszlo Farago*** will be asked to join. They are said to have established contact with Major Ferenc Szalasi, head of the Arrow Cross Party.

They intend that Jaross, Tasnadi-Nagy, Szollosi, a leader of the Arrow Cross Party and Bardossy should come out with a statement that the Horthy regime should be reorganized on the basis of this committee of the above

* Members of Parliament.

** Probably Count Teleki, President of MEF (Government) Party.

*** Unidentified.

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four leaders and, in addition, Reka from the Nazi Party,**** Brody from the Ruthenian Party, Nyiro from the Transylvanian Party, Mecser who is a Stammdeutscher deputy, Rajnis a member of Parliament and Szalasi.

Tasnadi-Nagy has already taken all necessary steps for the immediate convocation of the Parliament. It is thought that this group intends to form a broad National Socialist grouping in the form of a National Coalition Party. Their principal purpose appears to be to prevent a Szalasi Cabinet from being established or, at least, to give it a substantial "bourgeois" orientation. Ruskay is said to be the most energetic person on the committee.

The Germans are said to be considering taking the matter up with Szalasi. However, they feel that it may be advisable to allow this group to carry out its plans, either as a test to observe the reaction of Horthy and the government, or as a front for other plans.

**** Probably Andreka of the Hungarian National Socialist Party.

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INTERVIEW BETWEEN WEESENMAYER AND PREMIER LAKATOS

The beginning of October 1944, Weesenmayer, German Ambassador to Hungary is reported to have had a lengthy discussion with Premier Lakatos. The latter is said to have inquired as to when Germany would render military aid to Hungary and when some of the Senate and Parliament members would be freed, as had been promised. Weesenmayer's reply was that it took some time to convert two Panzer Brigades into Panzer Divisions. In answer to Lakatos' second question, he stated that Winkelmann* had been granted freedom of action by Kaltenbrunner** and that Winkelmann and Weesenmayer had jointly prepared a list of ten to twelve harmless persons to be released. However, it appears that the German Ambassador had not yet received permission to release these people at that time.

Weesenmayer also informed the Premier that he had not had an interview with Hitler during his visit to headquarters a short time ago because Hitler was away for a few days. However, he stated that he still kept his plane in Budapest and might at any moment be requested to make another visit to

*Replaced Kaltenbrunner as Himmler's representative in Hungary

**Reported to have moved to Rumania.

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headquarters.

Premier Lakatos is reported to have given Weesenmayer his solemn oath that he had no knowledge of any negotiations by Hungarian representatives with either the Anglo-American powers or with the Soviet Union, and that no such negotiations would take place if he was aware of it. The German Ambassador replied that the Germans were suspicious because of the numerous arbitrary and peculiar steps which the Palace was permitting itself. The Premier answered that he considered that the German delay as regards the military situation was the cause of this suspicion. However, Weesenmayer replied that the situation was just the reverse and that the German caution in connection with the government was required by the serious nature of the military picture for the time being.

Weesenmayer is said to have had the feeling that Premier Lakatos was not frank with him on some matters.

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HORTHY TAKES PRECAUTIONS AGAINST A COUP D'ETAT

In the first week of October 1944, a reliable source in Vienna stated that Horthy, the Hungarian Regent, was concentrating Elite units around Budapest. Horthy is said to have explained this action by saying that it was a precaution against a coup d'etat by an inner group.

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

CONFIDENTIAL

21 October 1944

Miss Grace Tully
White House
Washington, D. C.

Dear Grace:

I believe that the enclosed memorandum
would be of interest to the President. Would you
please see that it is called to his attention.

Thank you.

Sincerely,

Bill

William J. Donovan
Director

Enclosure

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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E. O. 11652, Sec. 8(E) and 5(D) or (E)

20 October 1944

CIA 007622

By *ABD*

Date MAY 1 1974

MEMORANDUM FOR THE PRESIDENT

I think you will be interested to read the following extract from a report dated 27 September 1944 on "Hungary's Annual Capacity to Pay Reparations". The report was prepared by the OSS research staff.

"The value figures in this report are expressed in 1936-37 Hungarian prices, translated into dollars at the rate of exchange prevailing in that year.

"On the basis of national income figures, it is estimated that Hungary could pay on reparations account a maximum of about \$210 million annually, but for a short period only, and with the domestic standard of living held to the level prevailing at the depth of the depression.

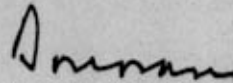
"A better appraisal of Hungary's capacity to pay reparations may be gained from an examination of the pre-war export pattern. Such an examination, excluding the transfer of existing assets and the use of Hungarian labor for reconstruction, indicates that Hungary could export about \$50 million a year on reparations account.

"This estimate presumes that the Hungarian

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economy is not carefully re-organized in the interest of maximizing reparations. With efficient and drastic control the amount of possible reparations might be substantially increased.



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

21 October 1944

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MEMORANDUM FOR THE PRESIDENT

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see
that it reaches his desk.

Thank you.

Sincerely,

But
William J. Donovan
Director

~~SECRET~~
DECLASSIFIED

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

21 October 1944

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OSS

MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following dispatch which we have just received from our representative at Caserta:

"1. Firing by Italian troops on thousands of labor demonstrators in general strike of municipal and state employees in which hundreds were wounded and many killed. Machine guns and hand grenades used by soldiers. Main streets of Palermo blockaded. As workers demonstrate for bread, work and higher wages, the disorder localized in center of city.

"2. Official estimate of casualties in Palermo noonday massacre set at 162, with 16 dead (expected to be increased), 137 civilians wounded and 11 Italian military. Half of casualties are children. These figures do not include those hurt in stampede. Shrapnel in back accounted for most of wounded. There were a number of decapitations.

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CIA 007622

By *ABS*

Date MAY 1 1974

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"3. Breaking of windows in prefecture area signal for fire of troops, which was indiscriminate. Blame laid by majority on Italian troops for firing on mob demonstrating for work, higher wages and bread.

"4. Comparative order restored with cordon of troops holding off estimated crowd of 5,000 from prefecture area, but outbreak of disorder predicted after dark by civilian population which holds Sabauda Brigade responsible and against whom they swear vendetta.

"5. Four days of labor agitation led up to this climax."

Donovan
William J. Donovan
Director

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WASHINGTON, D. C.

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CIA 007622

By *DRJ*

Date MAY 1 1974

21 October 1944

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OSS

MEMORANDUM FOR THE PRESIDENT

There follows a summary of a report prepared by the OSS research staff, "The Political Organization of French Prisoners and Deportees".

The more than two million French prisoners of war and deportees will probably form an important, conservative political bloc upon their return to France. Already they are represented in France by a single national organization, the Mouvement National des Prisonniers de Guerre et des Deportes (MNPGD), which has built up a variety of services and maintained underground contacts with the camps in Germany. The Commissariat of Prisoners, Deportees and Refugees in the De Gaulle Committee, headed by Henri Frenay, has prepared a long-range program for their repatriation and rehabilitation.

The Commissariat. The functions of Frenay's Commissariat are (1) to furnish moral and material aid to these groups and their families; (2) to organize and execute their repatriation; and (3) to prepare for their reintegration into the national life and "safeguard their rights". It has two sections. One section helps families of prisoners and

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refugees, sends packages to prisoners, and maintains rest camps and associations for those who have escaped from France. The other section is to deal with the movement of French nationals from German camps via reception centers in Alsace-Lorraine to their homes, the return of displaced persons in France to their proper homes, and the removal from France of Germans and other foreign groups. This section is divided into two branches, one of which will handle all movement inside France and does not intend to use UNRRA funds. The other branch will concern itself with the international aspects of the problem, and presumably will avail itself of UNRRA aid.

In the combat zones the Commissariat will only have a few representatives. In the zones of the interior and during the period of actual repatriation it will be greatly expanded.

The Commissariat is formulating ambitious plans for the prisoners and deportees. These plans involve medical treatment, family adjustment, economic classification, and rehabilitation. The Commissariat proposes to hold the returning Frenchmen in reception centers, if necessary, in order

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adequately to deal with medical or family adjustment problems. It plans to repatriate first those who have been away longest or who are in the economic categories most needed in France.

Many of Frenay's critics in the Algiers Assembly agree with the desirability of these plans, but voted to cut sharply his request for supplementary credits because they felt the plans impractical. There has also been objection to Frenay's policy of urging Frenchmen in Germany to be disciplined, to remain quiet and to wait. There have been charges that Frenay is using public funds to build a private political association.

Behind these criticisms is the apparent distrust of Frenay shared by Communists, trade-unionists, parliamentarians, and certain Gaullists. These persons fear that he may have ambitious personal plans for the post-war period. They see in his organization and its affiliate, the MNPGD, a powerful political bloc. They appear concerned with Frenay's Rightist political views and fear he may use both the Commissariat and the MNPGD to further the political programs of Combat, the conservative resistance movement which he led in France.

The MNPGD The impetus for this movement came from Frenchmen in German camps anxious to maintain contacts with their homefront resistance groups. By early 1943 the units

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in France in liaison with the camps had been merged into three general associations. On 12 March 1944 these associations were fused into the MNPGD. The movement's principal officers--a four-man directorate, a secretary-general and the chiefs of services--all are escaped prisoners of war. Most of them are young men with an aptitude for action and discipline which involves a certain contempt for parliamentary procedure. Apparently these leaders intend to use their organization as a pressure group to obtain the following results: a swift and effective purge program in France, the continuation of their organization intact, recognition of the special sufferings incurred by their membership, appropriate representation in the French Government, the enactment of laws safeguarding their special rights and interests, and the postponement of all elections (including municipal) until after the return of prisoners and deportees.

Communications with the camps in Germany have been almost entirely centralized in the hands of the movement, which maintains close liaison with the Commissariat. The services conducted by the movement have included propaganda, relations with other resistance organizations, economic assistance to families of prisoners and deportees, penetration

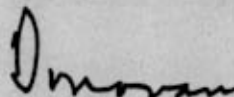
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of Vichy bureaus concerned with prisoners, and such technical functions as assisting escapes and directing actions by the French in Germany. An estimated 80,000 French prisoners were reported to have escaped to France by September, 1944.



William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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21 October 1944

Miss Grace Tully
The White House
Washington 25, D. C.

Dear Grace:

I believe the President will be interested
in the attached report. Will you kindly see
that it reaches his desk.

Thank you.

Sincerely,

Bill
William J. Donovan
Director

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~~SECRET~~

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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E. O. 11652, Sec. 3(E) and 5(D) or (E)

CIA 007622

By

MBZ

Date MAY 1 1974

21 October 1944

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MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following report on political developments in Italy which we have just received from our representative in Caserta:

"1. Saragat on behalf Socialist Party has asked Sforza not to accept post for United States so as to be available for Prime Minister in event cabinet crisis. Sforza replied that he was committed to accept but will think matter over.

"2. Socialists will urge Modigliani for Fascist purge commissioner if Sforza leaves.

"3. Nenni now planning campaign for launching his plan advocating Republican alliance. Nenni will pour water in his revolutionary wine to entice support of left wing groups.

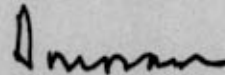
"4. Communists have not been taken into confidence. Nenni wants to retain initiative all for self to show

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- 2 -

Togliatti, Italians and world public opinion that he too can be political strategist and government maker."



William J. Donovan
Director

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WASHINGTON, D. C.

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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21 October 1944

PSF
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MEMORANDUM FOR THE PRESIDENT

I believe you will be interested in the following dispatch which we have just received from our representative in Bucharest:

"A highly reliable and well informed source reports that in the late morning of October 17th Niculescu Bujusti, Roumanian Foreign Minister called on General Vinogradov, Head of Russian Armistice Control Commission and presented strong official protests re suppression of newspaper Universal and National Peasant Party rally scheduled for October 15th. He presented fully documented evidence concerning nature of occurrences which took place on afternoon of Friday October 13th in front of palace and which had been characterized as Russian Ordeas pro-Fascist demonstration. At the end of the interview Vinogradov stated to Bukesti that the ban on newspaper Universal would be lifted and the paper could appear again starting Thursday October 19th. He further stated that he would give favorable consideration and

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early reply to request for lifting suppression political allies. He categorically disclaimed Maniu as Fascist or National Peasant Party as Fascist organization. As result these statements by Vinogradov political situation here temporarily eased although cabinet crisis continues and new government expected to be formed at any moment.

"The same source, who is strongly anti-Carol and pro-Michael, also reports that news received here to the effect that former King Carol has left Mexico on Argentine vessel presumably bound for Lisbon is causing considerable consternation in all official and unofficial circles save only the small clique of individuals who would benefit personally from Carol's return to Roumania. According to this source and many other well placed and reliable informants, Carol was the man most responsible for orientation Roumanian foreign policy toward Germany and for establishment of Dictatorship and suppression of democratic processes in this country. Source expressed concern at prospect that Carol's movements might escape Allied notice with result he might suddenly arrive Roumania and create impression here he had come with full approval of the United Nations.

Donovan
William J. Donovan
Director

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